MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 3, 2022/2023

BFN3114 – TAX PLANNING

(All Sections / Groups)

7 OCTOBER 2023
9.00 a.m. – 11.00 a.m.
(2 Hours)

INSTRUCTIONS TO STUDENTS

1. This Question paper consists of 9 pages excluding the cover page with **THREE** (3) Questions only.

2. Attempt **ALL** questions. The distribution of the marks for each question is given.

3. Please write all your answers in the Answer Booklet provided.

QUESTION 1

PART A

Tanjung Bunga Enterprise (TBE) is a sole proprietorship owned by Mr. Hashim. It is in the business of supplying and distributing frozen foods to local markets and few marts in neighbouring countries. The business has been in the market for quite some time and stably doing good, despite slow economy and recent pandemic Covid-19.

Following is the statement of profit or loss of TBE for the financial year ended 31 December 2022:

Tanjung Bunga Enterprise
Statement of Profit or Loss for the year ended 31.12.2022

	Note	RM	RM
Sales			1,700,000
Less: Cost of sales	1		960,000
Gross profit			740,000
Less: Expenses			
Sales and distribution costs	2	110,000	
Administrative expenses	3	375,000	
Other expenses	4	90,000	575,000
			165,000
Add: Other income	5		79,900
Profit before tax			244,900

Notes:

1. Cost of sales
   Included in the cost of sales was a provision of stock obsolesces amounted to RM18,200 and cost of new stainless-steel freezers of RM14,000.

2. Sales and distribution costs
   Included in the sales and distribution costs were:

   a) Flyers to promote the business of RM6,700.
   b) Space rental for exhibition on international halal trade fair approved by Ministry of International Trade (MITI) held in Putrajaya Convention Centre amounting to RM4,300 to promote business products.
   c) Provision for doubtful debts on trade receivables amounted to RM30,000. 20% of the provision was specific provisions.
   d) Repair and maintenance of business vehicles of RM5,679.

Continued...

3. Administrative expenses
Included in the administrative expenses were:

a) RM210,000 was for the employee's salary including RM18,000 for one senior employee, who is aged 62 years old.
b) Depreciation of plant and equipment amounted to RM29,000.
c) Contribution to the Employees' Provident Fund (EPF) amounting to RM23,100. This amount includes EPF by senior employee.
d) Accounting and audit fee of RM3,700.
e) Cost incurred to developed business's website which is electronic commerce enabled amounted to RM11,000.

4. Other expenses
Included in the other expenses were:

a) Annual dinner for employees and their family members of RM18,000.
b) Cash donations of RM5,000 to an approved charitable institution.
c) Legal fees for an agreement of new land purchase during the year of RM6,900.
d) Fine imposed by the police for traffic offences of RM3,000.

5. Other income
TBE received other income from the following activities:
a) Interest received from investment of fixed deposit in Indonesia amounted to RM16,900.
b) Gross dividends from shares investment in few companies listed on Bursa Malaysia of RM23,000.
c) RM40,000 amount received from insurance recovery for loss of stock due to flood during the year.

Additional information:

The capital allowance for the year of assessment 2022 is RM24,500.

Required:

Compute the total income of Tanjung Bunga Enterprise for the year of assessment 2022.

Note: Start your computation with profit before taxation figure. Indicate 'NIL' in the appropriate column for item that does not require adjustment.

(29 marks)

PART B

Jelita Batik Sdn Bhd (JBSB) is in the business of manufacturing traditional textile, namely batik for batik fabric, traditional dress, and batik handcrafts. The business prepares its account for 31 December annually.

Continued...

Due the good demand for batik products, JBSB decided to construct a new factory. The construction started on 1 July 2021 and completed on 27 May 2022. The building was immediately put into use to produce batik products. The details of the expenditure incurred were as follows:

Date	Expenditure	RM
1.5.2021	Land cost	317,602
2.5.2021	Legal fee for land acquisition	8,200
4.5. 2021	Legal fee for agreement with contractor	1,000
1.7.2021	Piling, levelling, and terracing the site	12,000
13.7.2021	Architect's fee	18,000
8.11.2021	Construction cost	610,000
9.1.2022	Drainage and irrigation	52,000
21.3.2022	Cost of internal road	48,000
17.5.2022	Plumbing and wiring	30,000

Required:

i) Compute the qualifying building expenditure (9 marks)

ii) Compute the industrial building allowance available to the company for the year of assessment 2022.

(2 marks)

[Total: 40 marks]

QUESTION 2

Mr. Prasad is a Malaysian citizen and a tax resident. He works as a senior general manager with a multinational trading company in Kuala Lumpur. He has served the company since 2014. The details of his employment income and benefits for the year 2022 are as follows:

- A total gross salary of RM108,000 per annum. 10% of the amount was deducted from his salaries as contribution to Employees' Provident Fund account. Another RM21 was deducted every month for his SOCSO contribution.
- Bonus of 2 months received on 27 December 2022.
- Leave passage to Kundasang, Sabah in November 2022. The company paid RM690 for his air fares and another RM1,000 for his meals and accommodation.
- A semi-furnished single-storey house with air-conditioners. The house was rented by the company for RM2,000 per month for the entire year. The furniture value of RM500 per month was included in the rental amount.

Continued...

- Medical and dental benefits provided by the company for him and his family amounting to RM10,000.
- Employee share option of 2,000 ordinary shares, RM1.00 per share was offered to him in January 2020. The market value at the time when the share option was offered was RM2.80 per share. Mr. Prasad exercised the option and sold the shares for RM4.75 per share in December 2022.

During the year, Mr. Prasad was assigned to supervise and oversee new branch of the company in Singapore. He did all the preparation before flew to Singapore. He was there for a month starting from 1 August 2022 to 31 August 2022. During the month, his remuneration and personal expenses in Singapore were paid by his employer in Malaysia. Back in the office, he continued supervising and overseeing the branch via online platform and daily report from the employees in Singapore.

In the year 2022, Mr. Prasad incurred the following expenditures:

- Purchase of e-books for his family amounting to RM1,000.
- Purchase of a new mobile phone, iPhone worth RM3,000 for himself.
- Medical costs totalling RM8,000 for his mother, who suffers from chronic liver disease.
- Donation of cash RM2,000 to few friends whose houses were affected in a recent monsoonal flood.
- Monthly payments of RM125 for his home internet broadband subscription.
- Mr. Prasad is married to Mrs. Vanusha, a full-time house wife. The couple has two children. The first child, Ishaan is 25 years old and currently working as an IT officer with local IT company. The second child, Ganesh is 17years old, studying in a secondary school at Cyberjaya, Selangor.

Required:

(i) Assess the taxability of Mr Prasad's remuneration for the 1-month job performed in Singapore with reference to the Income Tax Act 1967 (as amended).

(5 marks)

(ii) Compute the income tax payable of Mr. Prasad for the year of assessment 2022. Round up all figures to the nearest RM.
Note: All items stated in the question are to be included in the computation. Where the item is not taxable or deductible, indicate 'nil' or "exempt' in the computation.

(35 marks)

[Total: 40 marks]

Continued...

QUESTION 3

a) You attended university alumni recently. One of the guests was an old friend, who is a businessman. Since you have the tax knowledge, he asked for your opinion and advice for the following situations:

i. He owns a textile company in Shah Alam, Selangor. In year 2022, the company earned annual revenue of RM1,450,000. A quarter of the revenue was earned from goods exported to Brunei, Indonesia and Philippines.

ii. He withdrew business goods worth of RM3,800 for his family use and donated another RM2,900 goods to National Blind Foundation, an approved institution. Both transactions were recorded as expense of the business.

iii. He owns two apartments in Cyber Square, Cyberjaya, Selangor. He rented out both apartments to expatriates from Australia. He received in total of RM48,000 a year from the tenants. He also received refundable deposits of RM6,000 per apartment when both tenants sign the house rental agreement. He incurred RM2,500 during the year for repair and maintenance of the apartments.

Required:

Assess the tax implications of the above situations. Justify your answer.

(12 marks)

b) State the characteristics which must be present in a relationship between persons before a partnership (as defined in the Income Tax Act 1967) is said to exist.

(4 marks)

c) Explain briefly how a partnership is assessed to tax and who is responsible for filing of the partnership tax return forms.

(4 marks)

[Total: 20 marks]

End of question

APPENDIX

TAX RATES AND ALLOWANCES

The following tax rates, allowances and values are to be used in answering the questions.

- **Income tax rates for resident individuals for the Year of Assessment (YA) 2021 onwards**

Chargeable Income	Calculations (RM)	Rate %	Tax (RM)
0 - 5,000	On the First 5,000	0	0
5,001 - 20,000	On the First 5,000		0
	Next 15,000	1	150
20,001 - 35,000	On the First 20,000		150
	Next 15,000	3	450
35,001 - 50,000	On the First 35,000		600
	Next 15,000	8	1,200
50,001 - 70,000	On the First 50,000		1,800
	Next 20,000	13	2,600
70,001 - 100,000	On the First 70,000		4,400
	Next 30,000	21	6,300
100,001 - 250,000	On the First 100,000		10,700
	Next 150,000	24	36,000
250,001 - 400,000	On the First 250,000		46,700
	Next 150,000	24.5	36,750
400,001 - 600,000	On the First 400,000		83,450
	Next 200,000	25	50,000
600,001 - 1,000,000	On the First 600,000		133,450
	Next 400,000	26	104,000
1,000,001 - 2,000,000	On the First 1,000,000		237,450
	Next 1,000,000	28	280,000
Exceeding 2,000,000	On the First 2,000,000		517,450
	Next ringgit	30	.....

Continued...

- **Reliefs for the year of assessment (YA) 2022.**

	RM
Personal relief	9,000
Disabled taxpayer (additional relief)	6,000
Spouse relief	4,000
Disabled spouse relief (additional relief)	5,000
Medical expenses for parents	8,000
1. Medical expenses for serious diseases 2. Medical expenses for fertility treatment for self or spouse 3. Vaccination expenses for self, spouse and child. (Restricted to RM1,000) 4. (i) Complete medical examination for self, spouse, child as defined by the Malaysian Medical Council (MMC). (ii) COVID-19 detection test including purchase of self-detection test kit for self, spouse, child. (Restricted to RM1,000)	8,000
Basic supporting equipment for disabled taxpayer, spouse, children, or parents	6,000
Child relief (below 18 years old) - Each - Disabled	 2,000 6,000
Child relief (over 18 years old and studying in higher learning institutions) - Each - Disabled	 8,000 14,000
Amount deposited into SSPN for child	8,000
Takaful or Life insurance premium	3,000
EPF contributions	4,000
Premium on deferred annuity contract and private retirement scheme	3,000
Premium on medical/education insurance	3,000
Employee's contribution to SOCSO scheme	350
Education fees paid by taxpayer for his own self-improvement	7,000
Lifestyle expenses	2,500
Additional lifestyle- purchase of personal computer, smartphone or tablet for self, spouse or child	2,500
Breastfeeding equipment	1,000
Fees paid to childcare centre and kindergarten for a child aged 6 years and below	3,000
Qualifying domestic travel expenses	1,000
Tax relief for electronic vehicle	2,500

Continued...

- **Rebates**

Rebates	RM
Chargeable income not exceeding RM35,000	
Individual	400
Additional relief when wife/husband relief is claimed	400

- **Benefits-in-kind (BIK) scale rates as per Inland Revenue Board (IRB) guidelines**

Cost of car when new	Prescribed annual value of private usage of car	Fuel per annum
RM	RM	RM
Up to 50,000	1,200	600
50,001 - 75,000	2,400	900
75,001 - 100,000	3,600	1,200
100,001 - 150,000	5,000	1,500
150,001 - 200,000	7,000	1,800
200,001 - 250,000	9,000	2,100
250,001 - 350,000	15,000	2,400
350,001 - 500,000	21,250	2,700
500,001 and above	25,000	3,000

The value of the car benefit equal to half of the prescribed annual value (above) is taken if the car provided is more than five (5) years old, but the value of the fuel provided remains unchanged. Where a driver is provided by the employer, the value of the benefit per month is fixed at RM600.

- **Other benefits**

Household furnishings, apparatus & appliances

- Semi-furnished with furniture in the lounge, dining room, or bedrooms - RM70 per month
- Semi-furnished with furniture as above and one or more of the following: Air-conditioners, curtains, carpets - RM140 per month
- Fully furnished premises - RM280 per month

Domestic servant - RM400 per month

Gardener - RM300 per month

Continued...

- **Capital Allowances and Industrial Building Allowances**

	Initial allowance Rate (%)	Annual allowance Rate (%)
Motor vehicles and heavy machinery	20	20
Plant and machinery (general)	20	14
Office equipment, furniture and fittings	20	10
Specific accelerated rate for environment protecting equipment (control equipment)	40	20
Accelerated capital allowance (ACA) for machinery, equipment and communication technology equipment incurred between 1.3.2020 and 31.12.2021	20	40
Computer, information technology equipment & computer software	20	40
Industrial building	10	3
Warehouse used for storage of goods for export	-	10

End of paper